Sky Betting & Gaming Acquisition Call Script

April 23, 2018 (Revised May 3, 2018)

CORPORATE PARTICIPANTS

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OPERATOR

Good morning, ladies and gentlemen, and thank you for standing by. At this time, all participants are in a listen-only mode. A question and answer session for analysts will follow the formal presentation. As a reminder, this conference is being recorded today, Monday, April 23, 2018.

Replay details are included in The Stars Group's press release which is available on its website.

Participants on today's call will be:

- Rafi Ashkenazi, CEO of The Stars Group
- Richard Flint, CEO of Sky Betting & Gaming
- Brian Kyle, CFO of the The Stars Group
- Marlon Goldstein, Chief Legal Officer of The Stars Group
- And Robin Chhabra, Chief Corporate Development Officer of The Stars Group.

I'll now turn the call over to Tim Foran, The Stars Group's Director of Investor Relations.

TIM FORAN

Thank you.

Welcome to The Stars Group's conference call.

On Saturday morning, The Stars Group issued a press release announcing its agreement to acquire Sky Betting & Gaming. This press release and a webcast presentation will also be available on The Stars Group's website at www.starsgroup.com. A link to the presentation is included in the press release.

Some of our comments today will contain forward-looking information and statements under applicable securities laws that reflect management's current views with respect to future events, including, without limitation, The Stars Group's proposed acquisition of Sky Betting & Gaming.

Any such information and statements are subject to risks, uncertainties, and assumptions that could cause actual results to differ materially from those projected in the forward-looking information and statements.

Undue reliance should not be placed on such information and statements. Factors that could cause actual results or events to differ materially are set forth in documents The Stars Group has filed or furnished with applicable securities regulatory authorities or otherwise made publicly available, including, without limitation, our April 21 press release, today's webcast presentation and The Stars Group's 2017 annual information form.

Except as required by law, The Stars Group undertakes no obligation to update any forward-looking information or statements as a result of new information or future events.

Unless otherwise noted, all currency figures presented on this call are in US dollars or British pounds.

I will now turn the call over to Rafi Ashkenazi, The Stars Group's Chief Executive Officer.

RAFI ASHKENAZI

Transaction Overview

Thank you, Tim, and good morning to everyone on the line. We appreciate you joining us.

On Saturday morning, we announced The Stars Group's acquisition of Sky Betting & Gaming in a cash and stock transaction valued at $4.7 billion.

This is a pivotal moment in our company's history. Our objective at Stars is to build from strength to strength, capitalizing on our core poker platform to develop similar leadership positions in adjacent iGaming verticals. Today's announcement will vastly accelerate our progress towards that goal. Beyond the synergies created by the combination of two complementary businesses, this transaction offers The Stars Group significant financial and operational benefits:

It will greatly increase our scale, cementing our position in many of the world's largest online gaming geographies.

It will diversify our business, increase the percentage of our revenues generated by regulated markets, and improve both the balance and quality of our product mix.

It will drive future revenue growth. Combining one of the world's largest sportsbooks with the world's largest poker platform will provide The Stars Group with the ability to leverage two large, low-cost customer acquisition channels.

Finally, this transaction will create the world's largest publicly listed online gaming company. This global scale will provide us with a critical advantage as we seek to gain a foothold in emerging regulated markets, a category that may soon include the United States.

UK: Largest Market with Attractive Growth Prospects

Of course, this acquisition will also secure our position within the United Kingdom, the world's largest online gaming market. The UK possesses further potential – particularly in the mobile segment, which is expected to grow at a roughly 15% CAGR until 2020. As players in this geography embrace new methods of play, the market is also benefiting from multiple structural tailwinds, including greater sports coverage, participation in gaming, and e-commerce adoption. Sky Betting & Gaming's results demonstrate their strategic alignment with this market: They now possess 12% of online gaming market share in the UK, a position they've doubled over the last three years.

To provide more insight into Sky Betting and Gaming's business, I'd now like to pass the call to Richard Flint, Sky Betting & Gaming's Chief Executive Officer. We're very happy to have Richard join us this morning, and there is obviously no one better suited to summarize his company's success.

RICHARD FLINT

Sky Betting & Gaming Delivers Rapid Growth

Thank you, Rafi. I'm delighted to be here with you this morning, and excited by this next step in Sky Betting and Gaming's evolution. I'd like to give a brief overview of our business before providing a few comments regarding our promising future with The Stars Group.

You mentioned the strength of the gaming market in the United Kingdom, and SBG's recent results reflect our position as this market's fastest-growing operator. Our unaudited annual net revenues for the 12-month period ended December 31, 2017 were £624 million, representing a CAGR of 46% over the past two years.

Like Stars, we have successfully converted our record revenue into record profitability. Our unaudited adjusted EBITDA for the same 12-month period was £202 million, representing a CAGR of 51% over the past two years.

Loyal Customer Base Supported by Mobile-Led Product Portfolio

Our strong financial results have been driven by our position as the UK's #1 online bookmaker and #1 gaming operator, when measured by the size of our customer base. These customers numbered more than 2.5 million during the 2017 fiscal year, an annual increase of 25%.

Our players skew to young adults, and they game recreationally – 84% of our 2017 fiscal year revenues were generated by customers who lost less than £250 during the period *(CORRECTION: 84% of our 2017 fiscal year customers lost less than £250 during the period),* and our average stake per bet was a very reasonable £7 to £8. Our players are also technologically savvy – 82% of our 2017 fiscal year revenues were generated from mobile play, which as Rafi mentioned is the fastest growing segment of the UK market, and where we are the leading operator. Most importantly, our players are remarkably loyal – Nearly 60% of them wager exclusively with Sky Bet.

Sustainability of Growth Underpinned by Recurring Revenue

This loyalty has combined with our numerous cost-efficient acquisition engines and innovative, personalized advertising to add exceptional sustainability to our growth. Revenue from every cohort of customer sign-ups continues to improve, and 84% of our record 2017 fiscal year revenues were generated by existing customers.

Unique Relationship with Sky PLC

Our growth has been aided by our relationship with Sky PLC. Sky is Europe's leading media company, sports rights owner, and pay-TV broadcaster. They are the sixth most valuable brand in the UK, and the fourth most valuable sports brand in the world. Our licensing arrangement with Sky, which has 22 years remaining, has driven our mass-market popularity and the strength of our brand portfolio. This relationship is a major reason why SBG interacts with 75% of all the UK's online bettors.

Before I turn the call back to Rafi, I'd like to conclude by reiterating my optimism over what this transaction means for the future of Sky Betting & Gaming. Since its inception in 2000, our company has succeeded because of our focus on the customer, and our desire to deliver quality experiences to our players.

The Stars Group shares many of SBG's values, including the desire to provide their players with memorable, winning moments. Both our companies have grown from a foundation of innovative technology, and both our cultures place a priority on the promotion of safer gambling.

This alignment of values gives me great confidence in our shared future. As a result of this transaction, and our access to Stars expansive footprint, SBG will be able to provide the best products in online gaming to a truly global audience. I'm very excited to work together to pursue that goal.

Thank you. I'll now pass the call back to Rafi.

RAFI ASHKENAZI

Online Gaming Leader

Thank you again, Richard. As you mentioned, our audience is global. In our business, scale matters, as do both reputation and presence. All of these attributes will be enhanced by this acquisition, which improves the strength of our brand portfolio, the range and magnitude of our player base, and the quality and diversity of our products.

Like The Stars Group, Sky Betting & Gaming's recent results are notable for not only their revenue performance, but also the successful translation of these revenues into equally impressive earnings. We will continue to build upon this strong foundation as we reinvest in both innovative technology and expanded, creative marketing efforts.

Well Positioned in Key Markets

Our enhanced scale will also aid us across the world's regulated online gaming markets, where the acquisition of Sky Betting & Gaming will further accelerate our growing positions.

In tandem, Stars and Sky Betting & Gaming will form a major player in the UK, which as I mentioned a moment ago is the world's largest online gaming market. But we'll also use our global footprint to introduce SBG's premier sportsbook product to a much wider audience.

In Germany, we'll look to use Sky Betting & Gaming's relationship with Sky Deutschland to improve awareness of our offering and grow our considerable existing player base. Similarly, in Italy, Sky Betting & Gaming's relationship with Sky Italia will aid us in securing a leading position in that sports market.

In each of these geographies we'll benefit from aligning our scale and regulatory expertise with Sky Betting & Gaming's strong relationships, operational excellence, and best-in-class products.

Revenue Opportunity Through Improved Cross-Sell

Sky Betting & Gaming's sportsbook is industry-leading, and we are thrilled to gain a product of this quality. The potential presented by sports betting, which is both the largest and fastest growing online gaming segment in the world, cannot be overstated.

Sky Betting & Gaming's sportsbook also pairs perfectly with our own core poker product. By combining these offerings, we will become one of the only operators capable of leveraging two low-cost acquisition channels. We are excited to present our loyal poker players with a higher-quality sports offering, and by the cross-selling opportunities between these two verticals. There will also be a significant opportunity to cross-sell both poker and sports customers into our high-yielding casino products, which will improve as a result of this acquisition. The Stars Group's casino is the world's fastest growing established online destination, and will be enhanced by Sky's Vegas and Casino products.

Sky Betting & Gaming's Global Growth Strategy

Before I pass the call to Brian, I'd like to highlight how Sky Betting & Gaming will complement Stars' business, rather than be absorbed by it. Sky Betting & Gaming's team will lead our combined sportsbook initiatives in the United Kingdom, and their UK technology platform will remain stand-alone in order to maintain its momentum.

In Italy and Germany, we will look to combine the magnitude of our database with Sky Betting & Gaming's strong Sky relationships to secure leading positions, and continue to invest in expanded marketing efforts. Globally, we will look to leverage Sky Betting & Gaming's high-quality sports and casino products to bolster our ecosystem, improving cross-sell rates and increasing yield.

Finally, we'll look to take full advantage of our scale and presence created by the combination of our two businesses. In tandem, we will possess deep industry expertise, unrivaled brand awareness, an expansive player database, and strong media relationships. As a result, we will be ideally positioned to enter emerging markets, including the United States. Should regulation advance in the US, we believe we are now very well equipped to play a role in that market's development.

I'll now pass the call to Brian, who will provide some additional insights on both the benefits and details of today's transaction.

BRIAN KYLE

Balanced Regulatory and Product Exposure

Thank you, Rafi, and good morning everyone.

This acquisition is a game changer for our business. The addition of SBG will further establish our position within sports betting and enhance our ability to move quickly to enter new markets. Just as importantly, it will dramatically diversify our revenue base, mitigating any remaining dependency on poker while increasing our exposure to regulated markets. The result of these changes is an improvement to our overall risk profile.

Just four years ago, in the first quarter of 2014, poker represented substantially all of Stars' revenues. By contrast, if one were to include each of the three acquisitions we have announced this year, our pro forma 2017 revenue mix would have been 37% poker, 34% sports betting, and 26% casino. On the same basis, roughly 75% of our revenues would have been generated within locally regulated or taxed markets, greatly reducing our exposure to potential regulatory disruption. This transaction brings greater balance to our business, while at the same time reducing our risk and increasing our potential.

Cost Synergies

One portion of this potential is the identified $70 million synergies we expect to realize as a result of the combination of our businesses. As Stars and SBG are highly complementary businesses, there will be areas of duplication – marketing expenses and data feeds, for example – and we will look to both optimize these areas and rationalize any overlapping responsibilities.

Our intention is to be phased and deliberate in any changes we make, both to our existing business and SBG, and we will not endanger the cultures that have made both businesses so successful. As a result of our measured approach, we expect that implementing these changes will require one-time costs of approximately $85 million, and that it will be roughly two years before they are fully realized. Guy Templer, our Chief Operating Officer, will take a hands-on role in overseeing the integration of SBG's business.

Transaction Details

As Rafi mentioned, the total consideration for the purchase of SBG is $4.7 billion, comprised of $3.6 billion in cash, plus approximately 38 million newly issued Stars' common shares.

This consideration represents a multiple of 12.8x based on SBG's trailing twelve-month Adjusted EBITDA to March 31, 2018, inclusive of the anticipated $70 million in run-rate synergies I mentioned a moment ago.

We expect the transaction to close during the third quarter of this year. There are customary closing conditions, including approval from the TSX and NASDAQ, as well as from certain gaming and other regulators.

Financing Details

We have secured approximately $6.9 billion of fully committed debt financing to finance the cash portion of the consideration, refinance our existing first lien term loan, and repay SBG's outstanding debt. The financing is comprised of:

- $5.1 billion of first lien term loans;
- $1.4 billion of senior unsecured notes; and,

- An unfunded $400 million revolving credit facility.

We expect to de-lever our balance sheet in an orderly fashion, and we believe we have demonstrated that we have both the cash flow and commitment to do so.

I'll now pass the call back to Rafi for some final remarks.

RAFI ASHKENAZI

Conclusion: Creating the Online Gaming Leader

Thank you, Brian.

Before we wrap up, I'd like to take a moment to thank our exceptional team at Stars. Your tireless work made this transaction possible.

Today represents a milestone in the diversification strategy Stars adopted at the beginning of 2014. At that time, we were proudly the world's largest online poker platform.

Four years later, we have cemented that leading poker position. Furthermore, following the addition of Sky Betting and Gaming and the Australian businesses, we will also be:

- The world's largest publicly traded online gaming operator;
- The largest and fastest-growing online established sportsbook in the United Kingdom, the world's largest online gaming market; and,
- A leading sportsbook in Australia, the world's second-largest online gaming market

Upon completion of this transaction, our business will be truly diversified, and protected by balanced regulatory exposure. The Stars Group will possess global scale, a highly regarded brand portfolio, and best-in-class products. Most importantly, we will become one of the only operators capable of featuring two large, low-cost customer acquisition channels. As a result, we will take a major step towards realizing our vision of becoming the world's favorite iGaming destination.

I'd like to conclude by welcoming Sky Betting & Gaming's employees and staff to the Stars family. We are tremendously excited to add your incredible talent, energy, and expertise to our team. I look forward to working together towards a promising future.

Thank you. Operator, we may now move to questions.

Operator:

Thank you. We will now be conducting an analyst question-and-answer session. In the interest of time, we ask that you please limit yourself to one question, one follow-up and re-queue for any additional. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question comes from the line of Chad Beynon. Please proceed with your question.

Chad Beynon:

Hi, good morning and thanks for taking my question. Wanted to ask about the growth rates for Sky; obviously very impressive given the numbers that you noted here, particularly in the U.K. You also mentioned that Germany and Italy were two obviously important markets of growth. Not sure if you're willing to break out some broad growth rates during the past couple of years, excluding the U.K., but would you be able to shed a little bit of light on how the Sky business has done outside of the U.K. and some of these markets that you'll be getting into? Thanks.

Rafi Ashkenazi:

The business outside of the U.K. is relatively a small business at this stage. Yes, these are businesses that Sky Bet is really building these days, and the whole point for this integration and what we see as a major opportunity with this integration is really to accelerate the growth in these two markets. But so far, Italy and Germany were not a significant market for them.

Chad Beynon:

Okay, great. Then you also noted that this will obviously reduce geographic exposure. Are you willing to give us what kind of a top one or two market exposure would be pro forma? Does this bring any country down under the 10% mark that you've talked about?

Rafi Ashkenazi:

Yes. I mean, what we've done with the three acquisition is increasing our exposure obviously in revenues from Australia, dramatically increasing the revenues and the exposure to the U.K., and essentially, our top—other markets, on a pro forma basis, will have a lower portion. There are a few markets, like Italy and Germany, where we look essentially to accelerate the growth and becoming bigger markets for us out of the overall market exposure that we have, but there are other countries where Sky Bet does not operate today that potentially will take a lower ratio.

Chad Beynon:

Okay. Thanks, and congrats on the deal.

Rafi Ashkenazi:

Thank you.

Operator:

Thank you. Our next question comes from the line of Alistair Ross. Please proceed with your question.

Alistair Ross:

Hi, guys. A quick one from me. Just in terms of revenue synergies, clearly, a big reason for doing this deal is going to be revenue synergies. Is there any chance you can give some sort of an indication in terms of revenue synergies even if it is in sort of relative terms to cost synergies?

Rafi Ashkenazi:

We're not indicating at this stage the revenue synergies but they should be significant. I mean, just from considering where we currently—or where Sky Bet is currently operating, there are revenue synergies in the U.K. There are more meaningful synergies that we are going to see initially in Italy and Germany, and as we roll up side betting and gaming product in the various different markets, more and more revenue synergies will kick in. So we believe there is a significant revenue synergies opportunity, but we're not quantifying it at this stage.

Alistair Ross:

Then, Rafi, just a quick follow-up. In terms of net debt to EBITDA, where do you guys sit now, because obviously you got the three deals and I'm just wanting to ascertain whether my net debt is correct.

Brian Kyle:

Yes, hi. I think the way you should look at the leverage on this is, on closing of this deal, we're expecting to be below six times. I think the other part that

I'd like to just highlight is, again as we look at these businesses, they are extremely complementary in terms of cash generation, driving a significant amount of cash. As an example of that, for the year that ended December 2017 on a combined basis, they generated in excess of $600 million in free cash flow, so I think we're in great shape. We're certainly comfortable with that leverage level that I mentioned, and again, on a track record basis, we've demonstrated a very clear, concise and committed deleveraging strategy in the past that we would follow through for going forward.

Alistair Ross:

Many thanks. Well done, guys. Great deal.

Rafi Ashkenazi:

Thank you, Alistair.

Operator:

Thank you. Our next question comes from the line of Simon Davies. Please proceed with your question.

Simon Davies:

Yes, morning, guys. Just on Sky Bet profitability, they'd announced $146 million of EBITDA on the 8th of June, 2017, and you're now talking about $202 million of Adjusted EBITDA for the year ended December 2017. Do you still have a different—is that just down to organic growth, or are there some adjustments to the historical, or the most recent profit figures that you can enlighten us on?

Brian Kyle:

Yes, I think the way to look at that is that's all organic growth.

Simon Davies:

So just a very, very strong performance in H2 2017.

Brian Kyle:

Very strong.

Rafi Ashkenazi:

Yes, I can tell you because some of the numbers became public, and what they are referring is H1 2018, which is June to December 2017. Overall group revenue, Sky Betting & Gaming Group revenue was up 47% to £339 million. EBITDA increased by 92% to £118 million, so this is all organic. This is for six months, obviously, so yes, they are still experiencing a very significant growth with their business, organic growth.

Simon Davies:

Perfect. Just a quick follow-up, just on cost. Are you in a position to tell us roughly what the transaction costs are likely to be, and also, can you fill us in on the likely borrowing cost for the new debt facilities?

Brian Kyle:

Yes. On the borrowing costs, I can share with you a couple of points. First, the package that we were able to put together we are very, very pleased with. I think, as most people will know, the market is very attractive right now for borrowers so we were in a good position to put together an overall financing package that we're very pleased with. I think the way to look at our total cost of debt going forward right now, we're expecting on closing to be below 6% on an after-tax basis, so somewhere around 100 basis points higher than where we are right now, and given the market conditions, we expect to move fairly quickly to lock that in.

With respect to the cost of the overall acquisitions and associated transactions, I think it's a little early right now. We're still accumulating those costs, and we'll flow those through our financials and be in a better position to share with you some of those when we report our quarter one results.

Simon Davies:

Okay. Thanks.

Operator:

Thank you. Our next question comes from the line of Maher Yaghi. Please proceed with your question.

Maher Yaghi:

Thank you for taking my question. So I wanted to just look at the potential new geographies that you can launch on the way of this new acquisition. You talked about Germany and Italy starting more recently. Can you talk about what are the prospects in those two countries, Italy last year, Germany right now? So we've looked at some of the subscriber metrics for Sky. They're about the same as the U.K. Should we look at these two countries as potentially offering the same market size to what you have in the U.K.?

Rafi Ashkenazi:

Okay, just first to clarify, these are not new geographies. Obviously, The Stars Group operates in Italy and Germany and Sky Betting & Gaming also operates there. What we see is the opportunity in those two countries is coming primarily from what you can refer as revenue synergies, or cross-sell opportunities. In Italy, as you know, we are the largest operator in the country. We have quite a significant player base, and we are hoping to leverage on this player base. Same goes for Germany. We also have quite a significant player base in Germany, and we are looking at cross-sell opportunities.

What Sky Betting & Gaming is also going to bring to those markets, as you know, both companies are very recreational focused. Sky has an impressive revenue generated from mobile, much bigger than the revenues that we are generating today from mobile, so we believe that there is still a lot of value that we can capture there. I can't really give you any indication on what would be the market share post merge of these two companies in these two markets, but we are definitely looking at these two markets as what we can refer as phase one of the integration.

Maher Yaghi:

Okay. I was mainly focused on SBG because they've more recently entered those markets. How are they different in terms of the player profile, the playing amount, just from experience so far compared to the U.K.?

Rafi Ashkenazi:

They are quite unique in the U.K. market. Around 60% of their players wager exclusively with Sky Betting & Gaming. Eighty-four percent of the revenues were generated in 2017 by existing customer, indicating that they have very, very strong retention capabilities. As I mentioned, around 80%, 82% of the revenue that's generating from mobile, again, just representing the recreational nature of their customer base; and as Richard mentioned on the call before, 84% of their customers lost less than £250 annually, which, again, indicates a very different demographic compared to all the other operators in the U.K. market. We hope to essentially replicate the success that they had in the U.K. in other markets, starting with Italy and Germany.

Maher Yaghi:

Okay, great.

Rafi Ashkenazi:

On a (inaudible).

Maher Yaghi:

Rafi, you talked about the U.S. market. I mean, can you maybe give us some detail on what are your expectations for—I know it's still early, but is this essentially a big reason why you did this deal, or this would be just an extra on what you can get from SBG as it is right now?

Rafi Ashkenazi:

No. The key trigger for this acquisition was not related to the U.S. We believe Sky Betting & Gaming is a great company that has a lot of different values there that we can, on a combined basis, we can capitalize on. There is a lot of rationale for this deal outside of the U.S. and which we mentioned a lot of them on the call; whether it's diversification, brands, the two acquisition, or low-cost acquisition channels, the scale, technology, there are a lot of different reasons for us to do this deal. What it gives us in the U.S.—and not necessarily only in the U.S., every single market that opens up, every single new regulated market that opens up, we believe that, on a combined basis, we will be very strongly positioned to capture a significant market share, so U.S. included, but the trigger for this deal was not the U.S.

Maher Yaghi:

Okay, and one last question on the deleveraging profile. You've been able to delever the balance sheet since your last big transaction quite a bit. Now we are going back up close to six. Can you talk about the turns, how many turns or—my estimate is close to 0.7 times per year approximately when you get all the synergies out, and can you maybe just clarify the deleveraging process? What would you like the leverage to be down to until you do your next transaction? The debt structure; is there any sweeps clean before…

Brian Kyle:

So I think the way to look at, I think the way to look at that is it's still early days in terms of creating an optimal capital structure. By the time we close this, we will have acquired three businesses by quarter three. We do need to review and determine the optimal capital structure to ensure that we're getting the lowest cost of debt and cost of capital that we can. So I think that's the starting point.

On the leverage front, I've commented before about one of the areas that we want to continue to evolve and make positive traction around, and that's around transparency. So as we get more visibility into the business, more visibility on how that optimal capital structure will look, we will certainly be mapping out a deleveraging plan to the market. If you ask us, are your numbers in line with what we would be expecting? I would say they're probably on the lighter side. We would expect to be maybe a little more than that, but they're in the direction of the deleveraging once we get our revenue and cost synergies in, and then you should be looking at that exponentially increasing on an annual basis. But we'll be providing more clarity on that program over the next quarter or so.

Operator:

Thank you. Our next question comes from the line of Suthan Sukumar. Please proceed with your question.

Suthan Sukumar:

Good morning, guys, and congrats on the transaction. The first question from me is more so on the SBG's impressive growth profile here. I mean, you've touched on kind of the strong mobile penetration being kind of a key factor here. Can you speak to some of the other key factors that have been driving the strong organic growth?

Rafi Ashkenazi:

I can actually speak about the other factors, but as we have Richard on the line, I will just pass the questions to him. He could probably elaborate more about the Sky Betting & Gaming business better than me.

Richard Flint:

Sure. Thanks, Rafi, and just to say delighted to be on the call and with you here today. There are lots of components to our growth, and if I was to fit them into two elements, first, we are really focused in the U.K. on creating high quality experiences for the mass market mobile focus better, and we obsess about customer experience across all the range of our products and channels, which is one of the reasons why they're always the most highly rated, highly ranked apps across the range of our key products. That's a big part of the initial reason, and a lot of the reason why we've been able to do that is because of our strong culture and the fact that we are a wholly digitally focused company and like many in our space that have the significant retail presence.

But the other big part of our growth story is our relationship with Sky. Sky are a fantastic, much loved brand here in the U.K. They are renowned for sport and for technology and they're highly trusted, and we've established over a decade really effective ways of working with them to create unique experiences, like games like Super 6, which is a free to play game that has over a million people playing it each Saturday afternoon and really adds to the experience of watching TV, as well as adds to the betting experience as well, and that collaboration with Sky has a number of components to it and will continue into the future. So really, it's those two parts. It's the real tech digital expertise and our excellent relationship with Sky.

Suthan Sukumar:

Okay, great. Thank you, that's helpful. On the product side, just kind of speak to what the cross sell opportunity is given Sky's U.K. focus and Stars Group's global reach, and how do you guys plan to leverage the Sky brand and the relationship going forward?

Rafi Ashkenazi:

So the way that we are regarding cross sell or generally revenue synergies is by bringing over the product and expertise that Sky Betting & Gaming has developed over the course of the years into the markets that The Stars Group operates in. We have quite significant player bases in multiple different countries worldwide, and the combination of superior product, knowledge on how to build relationship with a broadcaster, expertise and many other assets that these two companies bring together will help us to essentially increase our position and have a stronger one and increase the market share in every market we operate.

Suthan Sukumar:

Okay, and then in terms of the Sky brand, I mean, how will that sort of co-exist with Stars' brand strategy in these markets?

Rafi Ashkenazi:

So essentially, wherever we can operate the Sky Bet, or Sky Betting & Gaming brand, we will operate those. In countries that we can't operate those brands, we will use the BetStars brand, powered by Sky Bet. That's essentially the focus. Now, Sky operates in seven different territories within Europe and we hope to be able to operate those brands in these territories, but if not, then we will continue running with the BetStars brand, powered by Sky Bet.

Suthan Sukumar:

Okay, great. It makes sense, and guys, maybe just one last quick one from me. Just kind of curious on the background for the transaction, how long were you guys engaged in discussions? Was this a competitive bid situation? Any colour there would be great. Thanks.

Rafi Ashkenazi:

Yes. We've been engaged in the discussions for a while now, for approximately a year. As we were exploring, I think we've discussed it several times publicly, we were exploring the industry and we were looking to conduct a transaction. As we advanced with our analysis, we realized that Sky Betting & Gaming is really the premium asset out there, and approximately in January, we started serious discussions with CVC and Sky to acquire this company, and I'm very happy to say that we were successful doing so.

Suthan Sukumar:

Great, and congrats again, guys. I'll pass the line. Thank you.

Rafi Ashkenazi:

Thank you.

Operator:

Thank you. Our next question comes from the line of Ralph Garcea. Please proceed with your question.

Ralph Garcea:

Yes, good morning and congrats again on a great deal. Just to confirm, are you 100% digital then and you have no retail footprint? Then alongside that, as you move into Italy and/or Germany, would you consider partnering with the retail channel given that Italy in particular is more an offline business currently on the sports betting side?

Rafi Ashkenazi:

So first of all, just to confirm, yes, we are 100% digital, and no, we have no, at least not at this stage, any plans to cooperate with retail. We believe the shift is from retail to digital, so this is where the strategy is and this is where the value is and this is where our focus would be, is and will be.

Ralph Garcea:

Okay, and then can you give rough splits on the Sky Bet side by sports? How much of their business is soccer/football related, tennis or horse racing, et cetera?

Rafi Ashkenazi:

I actually don’t have these details in front of me. I’m not sure, Richard, if you have these details on top of your head?

Richard Flint:

Yes, sure. From the sports betting side, it’s majority football, so over 50% football, getting towards 60%, 25% horse racing and quite a wide range of sports for the remaining 15% or so.

Ralph Garcea:

Okay, perfect. Again, just wanted the rough number, and then just lastly, I mean Sky Bet's on the Openbet platform. It looks like you'll, where you can, go with BetStars powered by Sky Bet. Longer term, do you think you merge the platforms across Europe, Australia, North America from a technology perspective, let's say three to five years out, or do you maintain these separate platforms as you go forward?

Rafi Ashkenazi:

At this stage, we are planning to maintain the separate platforms. We believe that every market is unique in terms of the technology and product requirements. We are set up very well in Australia, with the combination of CrownBet and William Hill Australia, and Matt Trip I'm sure is going to do a great job integrating these two businesses and running the business with significant growth. That's what we are hoping to achieve there.

In the U.K., the U.K., again, it's quite a unique market compared to Australia or compared to some of the other countries in Europe, so we believe that we are just going to keep the technology stack that Sky Betting & Gaming has today for the U.K. for the foreseen future; and rest of the world, we are going to basically go with the best technology platform that we believe will be successful.

Ralph Garcea:

Okay, thanks and just one last one for Brian.

Rafi Ashkenazi:

There isn't any plan to combine all of these technology stacks into one.

Ralph Garcea:

Okay, thanks, Rafi. Sorry for interrupting. One last question for Brian quickly. I mean, are there are any anti-dilution provisions on the prefs, and do you need consent from the pref holders on this deal?

Brian Kyle:

Yes, so the way you should look at the pref shares are that there are some acquisition rights that exist in the agreements with the pref shareholders, and I think we're working with them right now through that, but I think the other piece to all of this is, regardless of that, this is still a very value enhancing deal for all shareholders. But there are some rights that the pref shareholders do have.

Ralph Garcea:

Okay. Thanks for clarifying that.

Operator::

Thank you. Our next question is a follow-up from Alistair Ross. Please proceed with your question.

Alistair Ross:

Hi, guys. Sorry, I've got a whole lot of questions still. Just in terms of the pref shares, can you just remind us in terms of the terms of conversion, am I right in thinking CA$42, and I am right in thinking the share price needs to stay above CA$42 for a certain amount of time?

Brian Kyle:

Yes, Alistair, that's the way to look at it. So it is CA$42. It needs to be trading at least that for 20 trading days, and then there is a volume element too, where it has to be at least 1.75 million common shares.

Alistair Ross:

Okay, great. Then can I just confirm the fully diluted share count at the moment, if you've got it in front of you? I think I've got it at 259.3 but I'm just wondering because of all three deals, obviously, there are numerous elements to fully diluted share count.

Brian Kyle:

You got the right number.

Alistair Ross:

Okay, great. Then just in terms of cost synergies in relation to CrownBet and William Hill Australia, are there any numbers out there? I may have missed this, but are there any numbers out there for that?

Rafi Ashkenazi:

I think that what we've made public was at least AU$50 million.

Alistair Ross:

Great, thank you. Did you say a cost synergy realization over two years, or did you say the implementation costs were two years, the $85 million two years?

Brian Kyle:

No. Yes, the cost synergies will be over a two-year period.

Alistair Ross:

Wow. Okay, that’s impressive. Then just in terms of pro forma revenue and EBITDA in U.S. dollars, there are two ways of calculating it. One is at obviously average rates for FY ’17, and one is at spot. Is there any chance you can confirm pro forma revenue and EBITDA at the moment, including all three entities? Or sorry, all four entities?

Brian Kyle:

Yes. In our presentation that was uploaded, we actually have the numbers there.

Alistair Ross:

Okay.

Brian Kyle:

I’ll just—let me just go to the page here and I can share it with you. Yes, so on a pro forma basis, the combined revenue for the three businesses is $2.4 billion.

Alistair Ross:

Yes, yes.

Brian Kyle:

Think of it from an EBITDA margin, excluding cost synergies of about 37% on a pro forma basis.

Rafi Ashkenazi:

This is excluding the cost synergies.

Alistair Ross:

Okay, and that's at average FY '17 rates, is that right? Because obviously, FX is—I mean, F—in terms of sterling and Australian dollars, they've appreciated significantly against the dollar recently so…

Brian Kyle:

Yes. It's the average, it's the average for the year.

Alistair Ross:

Okay, perfect. Nice one. That's all. Thank you very much. Appreciate it.

Operator:
Thank you. There are no further questions at this time. I would like to turn the call back over to Mr. Ashkenazi for any closing remarks.

Rafi Ashkenazi:

I'd like to thank everyone for participating on today's call. We appreciate your ongoing interest and support of The Stars Group. Thank you and good-bye.